

BEFORE THE U.S. TRADE REPRESENTATIVE

IN

CERTAIN STEEL PRODUCTS

SECTION 203 OF THE TRADE ACT OF 1974

COMMENTS ON BEHALF OF

**EUROPEAN UNION PRODUCERS OF TOOL STEEL, MEMBERS OF THE
EUROPEAN CONFEDERATION OF IRON AND STEEL INDUSTRIES (EUROFER)**

January 4, 2002

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TOOL STEEL

Executive Summary

- Tool Steel imports from the European Union should not be subject to any import barrier.
- There is no Commission determination of injury. Three Commissioners opposed injury (Hillman, Miller and Okun) and three supported it (Bragg, Devaney (recently resigned) and Koplan).
- The Tool Steel remedy recommendations by Commissioners Bragg, Devaney and Koplan were much more lenient than those for other products under investigation.
- The domestic producers of Tool Steel are not suffering and only a few producers even support this investigation.
- Restrictions on imports would cause injury and cost many more jobs to downstream industries. The ITC is now beginning a Section 332 investigation of the competitive position of some of those industries (tool, mold and die).
- Many of the Tool Steels under investigation are not produced by the domestic industry.

I. Introduction

On behalf of European Union Tool Steel producers, we submit this proposal to the TPSC. The European Union producers request that access to the U.S. market for Tool Steel from the EU not be hindered through any import barrier remedy given that:

- 1) There is no Commission determination of injury. Three Commissioners opposed injury (Hillman, Miller, and Okun) and three supported it (Bragg, Devaney, and Koplan).
- 2) The domestic producers of Tool Steel are not suffering and only a few producers even support this investigation.
- 3) Restrictions on imports would cause injury to U.S. companies and cost many more jobs to downstream industries.

Many of the Tool Steels under investigation are not produced by the domestic industry. European Union producers of Tool Steel request that the Bush Administration exclude these specialized Tool Steel products from any remedy. The domestic industry's complaints decidedly are not with imports of specialty products for which domestic production is non-existent or inadequate. Examples include numerous products required by the U.S. automotive and aerospace industry. This submission explains the proposed product exclusions and their administration.

Finally, this submission analyzes the remedy recommendations of the three Commissioners who voted in the affirmative for Tool Steel. It demonstrates that the Tool Steel recommendations were much more lenient and diverse than for other products in the investigation. It concludes that even the Commissioners who voted in the affirmative on Tool Steel do not find this product to be particularly injurious to the U.S. industry.

II. European Union Imports Should Be Excluded From Any Remedy Because There Is No Record Evidence That These Imports Cause Or Threaten Any Injury To Domestic Producers

The basis for excluding imports of European Union Tool Steel from any remedy is straightforward: there is *no* record evidence that imports of Tool Steel from the European Union cause or threaten injury to the domestic industry. Without this fundamental predicate for relief, the domestic industry's claims for including European Union Tool Steel in their remedy recommendation are not credible.

Tool Steel products from the European Union are very high priced and sourced from traditional suppliers to the U.S. market, particularly Austria, Germany, France, Sweden, Italy, and the U.K. Import restrictions on any of these specialty products would not help domestic producers. Restrictions would, however, deny domestic industrial users and consumers access to these products, which they must import in order to conduct their own businesses. The end result of restricting these Tool Steel imports would be a misguided promotion of the importation of downstream and other end products made from these specialty Tool Steel products, to the detriment of domestic tool, mold, and die producers and consumers. The ITC was recently requested to begin an investigation of the competitive position of those downstream industries. Restrictions on their necessary inputs can only worsen their competitive situation.¹

Neither of the two leading U.S. producers – Allegheny Ludlum and Timken Latrobe – is in financial trouble. Tool Steel is not a core business of either. Allegheny Ludlum sold one of its plants to Austria's Bohler-Uddeholm in 1999 and Timken has been trying to sell its entire Tool Steel business for at least 3 years.

Any injury that the domestic industry claims to be suffering can be attributed to

¹ See Exhibit 1, letter of December 20, 2001 from House Ways and Means Committee to ITC Chairman Koplan.

difficult overall market conditions, which are expected to improve markedly in the coming year. Thus, the combination of a small effect on the domestic industry along with the strong economic outlook indicates that there is really no need for a remedy at all on Tool Steel.

A restriction on European Union Tool Steel imports, however, would needlessly harm domestic tool producers who must have access to these products to carry on their business. This point was made by Scott Roussin of Viking Drill and Tool of St. Paul, Minnesota who stated that Viking would be "forced to close down the company, lay off 210 employees, and destroy the pensions of our people."²

III. Certain Niche Specialty Products Should Be Excluded Because There is No Domestic Production or Inadequate Domestic Production; Including Them in Any Remedy Would Inflict Serious and Needless Harm on Downstream U.S. Industries

If a niche specialty product is not made in commercial quantities by the domestic Tool Steel industry, then subjecting such a product to an import remedy would inflict severe harm on U.S. downstream industries but provide no benefit to the industry seeking protection. There are objective, technical reasons why these specialty products are unavailable.

The products encompassed in the broad Tool Steel category are diverse, sold in small discrete quantities, and require special machinery and know how to produce the level of quality required by customers. Edgewire is but one example: to produce it the manufacturer needs to pass the round HSS wire through an expensive rolling machine to change the cross section from round to rectangular. Neither Timken Latrobe nor any other company in favor of relief has such a rolling machine. The total U.S. market for

² Remedy Transcript at 1118.

this product is some 500 tons per year. Such a market is too small to justify the investment in the specialized machinery, which can only be used for this purpose, and in the training of workers to operate the machine. A similar story can be told for much of the requested niche product exclusions: producers the world over tend to specialize and do not attempt to produce all niche products because it is uneconomical to do so.

The following list of products are not made domestically and are not substitutable. There are other specialty products, which are also not produced by the domestic industry in commercial quantities, if at all, and should also be excluded from any remedy. Furthermore, subject imports that have not caused and do not threaten serious injury to the domestic industry should be excluded. The list of products that should be excluded includes the following:

- High-Speed Steel in the Form of Peeled and Polished Bar
- High-Speed Steel in Form of Billets
- High-Speed Steel in the Form of Hot-Rolled Coil
- High-Speed Steel Sheet and Strip
- Hand Hack Saw Blanks of High-Speed Steel
- Flat and Square Bars of High-Speed Steel
- Shaped Edgewire of High-Speed Steel
- Circular Disks of High-Speed Steel
- Flat Rolled products of a width of 600mm or more and a thickness of less than 4.75mm
- Flat Rolled products of a width of 600mm or more and a thickness of 4.75mm or more
- Flat rolled products of a width of 300mm or under 600mm wide
- Böhler Cross Rolled High Speed Steel Sheets/Plates annealed and shot peened
- Böhler W321 ISOBLOC (ESR remelted) – Hot work Tool Steel
- Chipper knife steel (Böhler K329) – long product
- Dievar is a premium modified hot work Tool Steel from Uddeholm
- 4150 (V310), A-8 (K329) manufactured into special sections or profiles (shapes) utilized for a specific purpose, such as tooling for press brakes
- Böhler K340 ISODUR (ESR execution) - Cold work Tool Steel
- Böhler W310 ISOBLOC (ESR execution) – Hot work Tool Steel
- QRO 90/80 SUPREME Premium (patented, US-patent 4459162) special hot work Tool Steel from Uddeholm

- AISI P20 Tool Steel Plate over 150mm
- Uddeholm Orvar Supreme (ESR execution)
- Böhler W302 ISOBLOC (ESR execution)
- Böhler W402 VMR (VAR-execution) Hot work Tool Steel
- DIN.2379 (AISI D-2) Forged blocks. Thickness sizes 6" through 12"
- DIN No. 2379 (AISI D-2) Round Bars, forged electric arc melted, non ESR/VAR- Sizes 16.5" through 30"
- DIN.2324 (AISI S-7) "mold quality steel for the manufacture of lense quality molds. Sizes .5" to 4.75" thickness (plates)
- DIN.2324 (AISI S-7) "mold quality steel for the manufacture of lense quality molds. Sizes 5.00" to 12.00" thickness (blocks forged)
- DIN.2363 (AISI A-2) forged blocks- Sizes 6.00" to 12.00"
- DIN.2767 (AISI. 6F7) flats and blocks
- DIN.2738 (AISI. P20 Mod.) hardened and tempered flats and blocks (high hard) – Sizes range 1.00" – 30.00" thickness
- DIN.2344 ESR (AISI H-13) Hot rolled, anneal, flats to General Motors Specification DC 9999-1 Rev – Ford Motor Co. specification AMTD DC 2010 Rev. 3. Daimler Chrysler NP2080-1983 - Sizes .50" to 7.50" thickness
- DIN.2344 ESR (AISI H-13) Forged, annealed, blocks to General Motors Specification DC 9999-1 R – Ford Motor Co. Specification AMTD DC 2010 Rev. 3. Daimler Chrysler NP 208-1983 – Sizes 7.75" to 24.00" thickness
- DIN.2344 ESR (AISI H-13) Hot rolled rounds to General Motors Specification #DC 9999-1 Rev. 17 – Daimler Chrysler Specification #NP 2080-1983 – Sizes .50" to 7.25" Dia
- DIN.2344 ESR (AISI H-13) Forged rounds to General Motor Specification #DC 9999-1 Rev. 17 – Ford Motor Specification #AMTD DC 2010 Rev. 3 – Daimler Chrysler Specification "NP 2080-1983 – Sizes 7.5" to 24.00" Dia
- E38K ESR – No US equivalent Round bars
- E38K ESR remelted flats and blocks
- DIN.2714 (AISI 6F3) Round bars
- DIN.2714 (AISI 6F3) flats and blocks
- DIN.2999 ESR (No AISI Equivalent) flats
- DIN.2381(AISI S-5 (Round bars)
- DIN.2367 (No AISI Equivalent) Round bars
- FOR 821 ESR Rounds (No AISI Equivalent)
- AISI P-20 Hot rolled, pre-hard, plates – Sizes.50" to 7.50" thickness
- AISI P-20 Forged, pre-hard, blocks – Sizes 7.75: to 30.00" thickness
- CR7V-L is a special Tool Steel grade for forging dies
- Superplast P20 with a unit weight greater than 50 tons
- Superplast P20 Tool Steel plate with a thickness greater than 150mm
- Forged Tool Steel Bar, ASTM A681, grades D2, H13, A2, and S7

The Administration should exclude these products from any remedy as their inclusion would cause tool and mould making to move overseas, thus hurting many more

industries than Tool Steel production.

IV. The Three Commissioners' Recommendations Are Varied and Lenient

The injury vote on Tool Steel was not in the affirmative, but a tie. This served as one indication that the International Trade Commission did not find Tool Steel to be particularly injurious to the domestic industry. The second indication came in the form of the remedy recommendations themselves. The three Commissioners who voted for relief provided recommendations on remedy, Bragg, Devaney (recently resigned), and Koplan, were divided as to the remedy, and were certainly much more lenient than they were with other products.

While the Commissioners recommended heavy 20-40% tariffs almost unanimously on flat products, Tool Steel was decidedly different. Commissioner Bragg broke from her across the board, 40% tariff for flat products to recommend that Tool Steel have a 25% ad valorem duty in the first year to be staged down by 5 percentage points in year 2 and 5 in year three. Commissioner Devaney also broke from his hefty 40% tariff on flat to recommend quotas based on 1996-1998 imports. Finally, Commissioner Koplan recommended one of the most moderate of all remedies for Tool Steel: a 10% tariff to be staged down by 2 percentage points per year.

Clearly, such relaxed recommendations for Tool Steel indicate that even those Commissioners who voted in the affirmative for Tool Steel do not find it to be so injurious to the domestic industry as to warrant severe import relief.


V. Conclusion

The European Union producers of Tool Steel propose that their imports be excluded from any remedy. The disparity between remedy recommendations on other products in this investigation versus Tool Steel serves to reinforce the European Union producers argument that the domestic Tool Steel industry is not injured, and is not in need of relief.

Respectfully submitted,



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EXHIBIT 1

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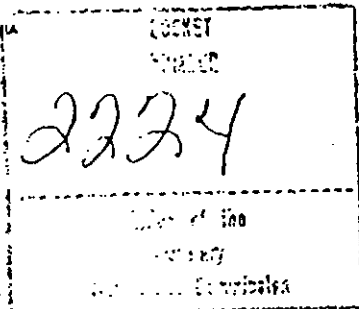
House of Representatives

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December 20, 2001

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Recd: 12/21/01
ER
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The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, D.C. 20436

Dear Chairman Koplan:

The impact of globalization on important U.S. industries is of ongoing concern and interest to the United States Congress. It has recently come to the attention of the Committee on Ways and Means that U.S. producers in the tool, die, and industrial mold industries are concerned about competitive conditions affecting their industries.

Accordingly, on behalf of the Committee on Ways and Means of the United States House of Representatives, and under authority of section 332(g) of the Tariff Act of 1930, 19 U.S.C. §1332(g), I am requesting that the Commission institute a fact-finding investigation of the current competitive conditions facing producers in the U.S. tool, die, and industrial mold industries as classified in North American Industry Classification System (NAICS) industries 333514 and 333511, with respect to the U.S. and global markets. The Commission review of these industries should provide information for the most recent five-year period, to the extent possible, regarding the following:

1. A profile of the U.S. tool, die, and industrial mold industries.
2. Changes in marketing and manufacturing processes, and trends in U.S. production, consumption, and trade.
3. Global market overview and assessment of foreign markets and significant foreign industries, including those in China, Taiwan, Japan, Canada, Mexico, and EU member countries.
4. A comparison of the strengths and weaknesses of U.S. and foreign producers regarding factors of competition such as production costs, labor costs, availability of skilled/experienced labor force, level of technology in the design and manufacturing process, availability of capital,

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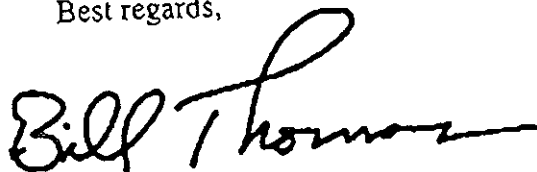
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- transportation costs, pricing, product quality and after-sales-service, and government programs assisting these industries.
5. Principal challenges and potential implications for the industries over the near term.

The Commission should provide its completed report no later than ten months from receipt of this request. Thank you for your attention to this important matter.

Best regards,

A handwritten signature in black ink that reads "Bill Thomas". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bill Thomas
Chairman

WMT/dk